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NIE 24-64 ADVCON
18 March 1964

NATIONAL INTELLIGENCE ESTIMATE

THE OUTLOOK FOR ITALY

- The New Center-Left Coalition
- Immediate Economic, Political, and Foreign Policy Problems
- Longer-Range Implications of the Center-Left Coalition

NOTE: This is an advance copy of the conclusions of this estimate as approved by the United States Intelligence Board. The complete text will be circulated within five days of this issuance.

Central Intelligence Agency

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Submitted by the
DIRECTOR OF CENTRAL INTELLIGENCE

The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, and NSA.

Concurred in by the
UNITED STATES INTELLIGENCE BOARD

on 18 March 1964. Concurring were the Director of Intelligence and Research, Department of State; The Director, Defense Intelligence Agency; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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CENTRAL INTELLIGENCE AGENCY

18 March 1964

SUBJECT: NIE 24-64: THE OUTLOOK FOR ITALY

CONCLUSIONS

A. The Catholic-Socialist coalition now governing Italy faces serious problems. Both major parties of the coalition are beset by internal dissensions, arising in large part from their decision to form the coalition. Both parties will face a crucial test in the nationwide municipal and provincial elections scheduled for this fall. Strong inflationary tendencies exist in the economy and have created a serious balance-of-payments problem. Measures are being taken to deal with these problems, but the delicate political situation imposes limits upon what can be done. Nevertheless, the economy remains basically sound and continues to grow.

B. The new coalition is responsive to the broad leftward trend of Italian political opinion. We believe that it will survive at least until the fall elections and if it can make some headway in carrying out its program of reforms it will probably survive for some time thereafter. If it should then fall there is a fair chance that it would be succeeded

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by a similar coalition. If the government should collapse in circumstances making its reconstitution impossible there would almost certainly be a return to political instability and administrative drift.

C. One of the principal aims of the coalition is to isolate and weaken the Communist Party. Communist leaders are struggling with great skill to defeat this aim; they have endorsed many of the reformist goals of the government, and they remain firmly entrenched in the labor movement. Despite difficulties and dissension within the party, reduction of its strength will at best be a long and difficult task.

D. Socialist views on foreign policy differ in some respects from those of their coalition partners, and Italian membership in the MLF could become a divisive issue. On the whole, however, Socialist participation in the government is unlikely to bring about any fundamental changes in Italian foreign policy.

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